

REMARKS

Claims 1-20 are currently pending in the application. Claim 15 is objected to as incorrectly referring to "processor" instead of "process." Claims 11-20 are rejected under 35 U.S.C. § 101 as claiming ineligible processes. Claims 1-20 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Madoff et al. (U.S. Patent No. 7,162,448, referred to herein as "Madoff") in view of Hauser et al. (U.S. Patent No. 6,061,789, referred to herein as "Hauser") further in view of Lutnick et al. (U.S. Patent No. 6,850,907, referred to herein as "Lutnick").

Applicants thank the Examiner for noting the error in Claim 15, which is corrected.

Applicants respectfully traverse the § 101 rejections, noting that Claims 11 and 17 recite an electronic order book, but amend Claims 11, 17 and 20 to expressly recite the electronic trading host disclosed in paragraph 19 of the Specification. Claims 11-20 thus are tied to apparatus and may not be performed by mental steps alone. Accordingly Claims 11-20 claim eligible subject matter.

Applicants respectfully traverse the § 103 rejections, but amend Claims 1, 7, 11, and 17 to more clearly delineate the underlying "primary auction" from the "secondary auction."

Applicants respectfully traverse the rejections based on Madoff because, among other things, Madoff does not disclose a "secondary auction" as disclosed and claimed in the instant application, which is an "auction within an auction" characterized by a secondary auction exposure time set by an exchange/market that is triggered by a primary-auction-market-participant-offered price improvement over a threshold established by the exchange/market, and during which time participants may bid different price improvements over the . Applicants specifically traverse the Examiner's inference of a "secondary auction" in the statement "where system 10 is facilitate [sic] trading of bonds, options, futures which examiner notes occurs in secondary auction or trading"; Applicants respectfully suggest that the Examiner confuses "secondary auction" with "secondary market" or "secondary offering" after the initial public

offering, as discussed in Paragraph 5 of the Detailed Action. Read properly, Applicants claim an interactive secondary auction, while Madoff teaches away from such a secondary auction.

Madoff discloses an extension of the underlying primary auction reflected across electronic markets in National Best Bid/Offer ("NBBO"), essentially setting the parameters of the primary auction by having the market participant specify an exposure time and a price improvement – essentially making a time-limited order within the same underlying auction. The "price improvement mechanism" disclosed and taught in Madoff is based on a fixed exposure time specified in the originating order (col. 1, lines 49-53; col. 1, line 64 to col. 2, line 5; col. 2, lines 10-12; col. 2, lines 21-24; col. 2, lines 29-32; col. 4, lines 57-65 ["[t]he life span can be variable and can be any set time period"]; col. 6, lines 14-20 ["chosen exposure time"]; col. 7, lines 56; col. 9, lines 64-66; col. 20, lines 28-30; col. 11, lines 13-22; col. 11, lines 48-53 [alternate embodiment of collecting all responses over the exposure duration]; col. 12, lines 57-59). Madoff's "price improvement" is also specified at the time of order by the offeror or at the time of response by the responder relative to the National Best Bid/Offer (col. 5, lines 58-59; col. 6, lines 56-59; col. 7, lines 52-55; col. 9, lines 13-18; Fig. 11; col. 12, lines 10-30). Madoff also teaches the advantage of "trading interest to remain anonymous as to price, size and identity" (col. 2, lines 65-66; col. 7, lines 56-57). Thus, the Madoff approach is directed to an offeror-specified time period during which respondents may or may not match the offeror's conditions, without any knowledge of the bidding for the offer. Madoff teaches away from the secondary auction disclosed and claimed in the instant application in which, during the market-established auction period, participants respond to proposed price improvements.

In Applicants' invention a secondary auction (para. 0007) is initiated by a market participant offering a price improvement over the NBBO of greater than a threshold established by the exchange, which auction is conducted during a price improvement period ("PIP") of a consistently short period of about three seconds set by the exchange (para. 0033). During the secondary auction, although anonymity of identity is used, unlike the teaching in Madoff, prices and quantities of other market participants are visible to market participants through book 25 in the instant invention (paras. 0011, 0024) and improvement orders may be made (para. 0034). Thus, unlike Madoff, the instant invention provides a fast secondary auction.

Referring to the Examiner's Detailed Action paragraph 5, as to Claims 1 and 7, Applicants respectfully traverse the Examiner's equation at paragraphs 5(b)-(d) of Applicants' electronic order book 25 to the server memory of Madoff, the updating of that book with parsed information, and the transmission of that information to market participants. Applicants particular traverse the suggestion in paragraph 5(d) that in Madoff the information is displayed to market participants during the transaction. Not only does Madoff not disclose such display to market participants during the transaction – which is essential to the secondary auction disclosed and claimed in the instant application – but Madoff teaches away from an auction with the bids visible to participants with a “pre-defined relative indication” that is “dormant and unseen by other participants” (col. 2, lines 65-66; col. 7, lines 56-57 [emphasis added]). As discussed above, Madoff teaches a market-participant-established extension of a price improvement over a market-participant-established exposure period that is accepted or not without the interaction of a secondary auction here claimed. What is taught is that the “trading interest [should] remain anonymous as to price, size and identity” (col. 2, lines 65-66; col. 7, lines 56-57).

Because Madoff teaches away from a secondary auction – by teaching away from an interactive secondary auction period of the instant invention in which bids prices and quantities – Hausser, disclosing anonymous auction -- is not relevant. The issue is not that a Madoff price-improvement transaction can be completed anonymously, but whether Madoff even suggests secondary auctions with prices and quantities visible to and acted upon by participants during a price improvement period set by the auction operator of all auctions. Madoff teaches away from making visible price and quantities bid during the participant-selected exposure period (col. 2, lines 65-66; col. 7, lines 56-57).

Applicants also respectfully traverse the Examiner's equation at paragraph 5(e) of Applicants' initiation of a secondary auction during a price improvement period set by the exchange to Madoff's specification of an exposure period for an offer; Madoff does not disclose a preset price improvement threshold or a “preset price improvement period,” both required by Claims 1 and 7. Applicants respectfully submit that Lutnick teaches neither a preset price improvement threshold nor a preset price improvement period; the disclosure cited by the

Examiner, Lutnick col. 12, lines 16-44, discloses the use of the market price as a determination of whether there exists price improvement, not that a magnitude of price improvement is set as a threshold for initiating a secondary auction. Again, Madoff does not teach an interactive secondary auction initiated upon a threshold, pre-set improvement for a preset period of time, it teaches a market participant's setting of a desired price improvement and setting of an exposure period – an extension and limitation of the primary auction. Even if Lutnick taught a preset price improvement threshold – which it does not – and even if Madoff did not teach away from such a preset price improvement by teaching participant-set price improvement, the combination does not teach a preset price improvement period; Madoff teaches away from that by teaching a participant-set exposure period.

Because Madoff teaches away from Claims 1 and 7, even in view of Hauser and Lutnick, Claims 1 and 7, and Claims 2-6 and 8-9, respectively dependent on them, are not rendered unpatentable by either Madoff, Hauser or Lutnick individually or in combination.

Applicants additionally respectfully traverse paragraphs 7 and 8 of the Detailed Action regarding Claims 3 and 4, as Madoff does not disclose a “preset price improvement” that is a trigger to commencing a secondary auction, but only a price improvement selected by the offeror. Moreover, the references in those paragraphs 7 and 8 do not support the assertion; indeed, the reference in column 4, lines 55-65, suggests long time periods of 15 or 30 seconds for the participant-selected Madoff exposure period – which has completely different bases than the 3 second time period appropriate for the exchange-established interactive auction period claimed in Claim 4. Applicants additionally respectfully traverse paragraphs 9 and 10 of the Detailed Action, regarding Claims 5 and 8 and Claims 6 and 9, respectively, as Madoff does not disclose or suggest any of the specific allocations limiting these claims.

Applicants respectfully traverse paragraph 11 of the Detailed Action as to Claim 10, as, explained in detail with respect to Claims 1 and 7 above, Madoff does not disclose an interactive secondary auction with a price-improvement threshold and duration set by the exchange. Specifically, Madoff teaches (col. 2, lines 65-66; col. 7, lines 56-57) away from the requirement in Claim 10 that “contra market orders or bids [are] displayed to auction participants during the

price-improvement auction period.” Hauser does not add to Madoff in this regard; again, the issue is not privacy, but whether an interactive secondary auction is conducted at all. Again, Lutnick does not teach a preset price improvement threshold, only the use of a market price to determine whether there exists price improvement. Even if combined, which Madoff teaches against, there is no preset price improvement threshold or price improvement period (secondary auction).

Referring to the Examiner’s Detailed Action paragraph 12, as to Claims 11 and 17, Applicants respectfully traverse on the same bases as argued above relative to paragraph 5, as to Claims 1 and 7. Madoff does not disclose, but teaches away from an interactive secondary auction of a price improvement period or duration set by the exchange. As explained in the above response to paragraph 5, Madoff teaches away from the elements proposed to be included from Hauser and Lutnick, but even if combined, fails to teach a preset price improvement period in which a secondary auction is conducted as claimed here.

Because Madoff teaches away from Claims 11 and 17, even in view of Hauser and Lutnick, Claims 1 and 7, and Claims 12-16 and 18-19, respectively dependent on them, are not rendered unpatentable by either Madoff, Hauser or Lutnick individually or in combination. Applicants refer to and adopt its arguments above relative to paragraphs 7 through 10 of the Detailed Action in response to paragraphs 14 through 17 of the Detailed Action.

Applicants respectfully traverse paragraph 18 of the Detailed Action as to Claim 20, as, explained in detail with respect to Claims 1 and 7 above, Madoff does not disclose an interactive secondary auction with a price-improvement threshold and duration set by the exchange. Specifically, Madoff teaches (col. 2, lines 65-66; col. 7, lines 56-57) away from the requirement in Claim 20 that “improved bids or orders are . . . displayed anonymously to auction participants during the price-improvement auction period.” Hauser does not add to Madoff in this regard; again, the issue is not privacy, but whether an interactive secondary auction is conducted at all. Again, Lutnick does not teach a preset price improvement threshold, only the use of a market price to determine whether there exists price improvement. Even if combined, which Madoff

teaches against, there is no preset price improvement threshold or price improvement period (secondary auction).

Applicants thus request that the Examiner withdraw the rejections and grant favorable consideration and allowance.

Upon review of this paper, the Examiner is invited to contact the undersigned at 617-345-3263 with any questions or comments.

Respectfully submitted,

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